

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

<hr/>	:	Chapter 11 Case No.
In re:	:	10-40395
Probe Resources US Ltd.	:	
24 Waterway, Suite 1450	:	
The Woodlands, TX 77380	:	
Tax ID #: 26-xxx0456	:	
	:	
Debtor	:	
<hr/>	:	

<hr/>	:	Chapter 11 Case No.
In re:	:	10-40396
Probe ST 214 Ltd.	:	
24 Waterway, Suite 1450	:	
The Woodlands, TX 77380	:	
Tax ID #: 26-xxx5252	:	
	:	
Debtor	:	
<hr/>	:	

<hr/>	:	Chapter 11 Case No.
In re:	:	10-40397
Probe High Island 115 Ltd.	:	
24 Waterway, Suite 1450	:	
The Woodlands, TX 77380	:	
Tax ID #: 26-xxx1789	:	
	:	
Debtor	:	
<hr/>	:	

<hr/>	:	Chapter 11 Case No.
In re:	:	10-40398
Probe Resources Energy Marketing US Ltd.	:	
24 Waterway, Suite 1450	:	
The Woodlands, TX 77380	:	
Tax ID #:	:	
	:	
Debtor	:	
<hr/>	:	

THE DEBTORS HAVE REQUESTED EMERGENCY CONSIDERATION OF THIS MOTION AND HAS REQUESTED THAT A “FIRST DAY” HEARING BE HELD ON THIS MOTION AT THE COURT’S EARLIEST CONVENIENCE. IF THE COURT IN FACT SETS THIS MOTION FOR AN EMERGENCY OR AN EXPEDITED “FIRST DAY” HEARING, THEN ONLY ATTENDANCE AT THE HEARING IS NECESSARY TO PRESERVE YOUR RIGHTS.

**MOTION FOR ORDER UNDER FED. R. BANKR. P. 1015(b) DIRECTING
JOINT ADMINISTRATION OF CHAPTER 11 CASES**

NOW INTO COURT, through undersigned counsel, come Probe Resources US Ltd., Probe ST 214 Ltd., Probe High Island 115 Ltd., and Probe Resources Energy Marketing US Ltd., as debtors and debtors-in-possession (referred to herein as the “Debtor” or collectively, the “Debtors”), who respectfully move this Court for entry of an order under Rule 1015(b) of the Federal Rules of Bankruptcy Procedure granting joint administration of their respective chapter 11 cases and section 105(a) of title 11 of the United States Code (as amended, the “Bankruptcy Code”) (the “Motion”) and, in support thereof, respectfully represent:

JURISDICTION

1. This Court has jurisdiction over this Motion under 28 U.S.C. § 1334. This matter is a core proceeding within the meaning of 28 U.S.C. §157. This venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

2. The authority for the relief requested herein is Rule 1015(b) of the Federal Rules of Bankruptcy Procedure and section 105(a) of the Bankruptcy Code.

BACKGROUND

3. On November 16, 2010 (the “Petition Date”), each of the above captioned

debtors (the “Debtors”) filed a voluntary petition for relief pursuant to chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”). No creditors’ committee has yet been appointed in these cases by the United States Trustee. The Debtors intend to continue to operate their businesses and manage their properties as debtors in possession, pursuant to section 1107 and 1108 of the Bankruptcy Code.

A. Debtors’ History and Operations

4. The Debtors are wholly owned by a Probe Resources Ltd (parent), a Canadian entity that is publically traded on the Toronto Exchange in Canada. The Debtors are:

- a) Probe Resources Energy Marketing US Ltd (PREMUS) is a Nevada corporation engaged in the distribution and marketing of petroleum products. The principal office of PREMUS is located in Houston, Texas;
- b) Probe High Island 115 Ltd (HI115) is a Nevada corporation that was formed for the special purpose to hold oil and gas interests in High Island 115. The principal office of HI115 is located in Houston, Texas;
- c) Probe ST 214 (PS214) a Nevada corporation formed to hold oil and gas interests in East Cameron Blocks 36, 37 and South Tibalier 214. The principal office of PS214 is located in Houston, Texas; and
- d) Probe Resources US Ltd. (Probe US) is a Nevada corporation engaged in the exploration and development of petroleum products. The principal office of Probe US is located in Houston, Texas.

5. The Debtors are an integrated oil and gas exploration, development and marketing company principally engaged in the exploration and development of oil and gas natural reserves in the Outer Continental Shelf I (“OCS”) in the Gulf of Mexico.

6. The Debtors’ business strategy was to acquire properties situated in areas of proved hydrocarbon potential with well established infrastructure. The properties in

which the Debtors hold working interests are situated close to producing oil and gas fields. Significant seismic data exists with respect to the Debtors' properties that has allowed the Debtors to identify drilling targets. In excess of 90% of the Debtors' revenues come from natural gas located at High Island 115 and South Tibalier 214.

7. The properties owned by the Debtors are the following:

- a) High Island 115;
- b) South Tibalier 214; and
- c) East Cameron 36, 37 and 246.

8. The Debtors operate all of the properties listed above with the exception of High Island 115.

9. The Debtors due to: a) a downturn in gas prices; b) increased cost in its drilling projects; and c) lowered that expected production from its drilling projects were unable to pay both its bank lenders and trade creditors. In September of 2009, a Debt Restructuring Agreement was implemented between K-2 Principal Fund ("PCK-2"), the Debtors' secured lenders and its trade creditors that resulted in a sharing of a vast portion of each of the Debtors' revenue among its creditors for each of the entities in the hope that the indebtedness would be paid off within 12 months.

10. K2 Principal Fund, L.P. ("K2") is a secured creditor for each of the Debtors. The assets of each of the debtors serve as collateral for the K-2 loan which is in excess of \$8,500,000.

11. In November of 2010, the Debtors retained T. Coy Gallatin as Chief Restructuring Officer for the Debtors and their Canadian parent.

12. In August of 2009, the Debtors entered into a Debt Restructuring

Agreement (the “DRA”) with Jeffery A. Compton. The DRA created a litigation moratorium (except for actions required to perfect liens under state law) and allowed the Debtors an opportunity to pay their creditors and continue to operate in the ordinary course of business subject to the terms of the DRA. In connection with the DRA: (a) all creditors reserved any rights under applicable state law; (b) the Debtors agreed to cause all production revenues (excluding production from the HI 115 Lease) to be deposited by the production purchasers into blocked accounts for the benefit of creditors; (c) the Creditors’ Agent was appointed to disburse monthly production revenue in accordance with a structure negotiated under the DRA and monitor compliance with a pre-established general and administrative expense budget; (d) the Creditors’ Agent reported to a restructure committee of creditors (the “Restructure Committee”) appointed under the DRA; and (e) a lien (subordinate to any and all existing liens) was granted to the creditors’ agent, for the benefit of the creditors to the DRA (the “Joining Creditors”), to secure the Debtors’ performance under the DRA. All parties reserved all rights vis-à-vis each other under applicable state law. Distributions commenced under the DRA on or about September 2, 2009. The DRA has been amended twice.

13. The Debtors, while having separate properties in separate entities, have operated as an integrated oil and gas entity.

RELIEF REQUESTED

14. By this Motion, the Debtors request entry of an order authorizing joint administration of the Debtors’ chapter 11 cases for procedural purposes, with Probe Resources US Ltd. as the lead case.

BASIS FOR RELIEF

15. Section 105 of the Bankruptcy Code provides that “[t]he Court may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title.” 11 U.S.C. § 105(a).

16. Rule 1015(b) of the Federal Rules of Bankruptcy Procedure provides, in relevant part, that: “[i]f . . . two or more petitions are pending in the same court by or against (1) . . . (4) a debtor and an affiliate, the court may order a joint administration of the estate”. Fed. Rules Bankr. Pro. 1015(b). The other Debtors are “affiliates” of Probe Resources US Ltd. as that term is defined in Section 101(2) of the Bankruptcy Code.

17. Consistent with the practices of this district and other districts, if the Court authorizes joint administration, the number of the lowest numbered bankruptcy case is to be captioned first and the caption of the lowest numbered case is to serve as the identifying caption. In order to optimally and economically administer these pending chapter 11 cases, these chapter 11 cases should be jointly administered, for procedural purposes, under the case number assigned to Probe Resources US Ltd. *See In re Nukote International, Inc.*, No. 09-06240, Bankruptcy Court for the Middle District of Tennessee (order entered June 5, 2009); *In re Total Fitness Systems, LLC*, 06-07270, Bankruptcy Court for the Middle District of Tennessee (order entered December 20, 2006); *In re Equity Media Holding Corporation, et al.*, No. 08-17646, Bankruptcy Court for the Eastern District of Arkansas (order entered January 8, 2009); *In re: Louisiana Riverboat Gaming Partnership, et al.*, 08-10824, Bankruptcy Court for the Western District of Louisiana (order entered March, 12, 2008); *In re: Communications Corporation of America, et al.*, 06-50410, Bankruptcy Court for the Western District of Louisiana (order

entered June 7, 2006); and *In re: OCA, Inc., et al*, 06-10179, Bankruptcy Court for the Eastern District of Louisiana (order entered March 16, 2006).

18. The rights of the respective creditors of the Debtors will not be adversely affected by joint administration of these cases because this Motion requests only administrative consolidation of the estates, and the Debtors are not by this Motion seeking substantive consolidation. The Debtors request that single docket sheets be maintained for all matters occurring in these cases, and that they be authorized, but not required, to use combined service lists and notices to creditors. Notwithstanding the entry of an order granting the relief requested by this Motion, separate claims registers shall be maintained and each creditor shall file a proof of claim against a particular Debtor's estate. Thus, the rights of all creditors will be enhanced by the reduced costs resulting from joint administration. This Court also will be relieved of the burden of entering duplicative orders and maintaining duplicative files. Finally, supervision of the administrative aspects of these chapter 11 cases by the Office of the United States Trustee will be simplified.

19. By reason of the foregoing, the interests of the Debtors and their creditors would be best served by joint administration of the above-captioned cases. Accordingly, the Debtors request that the caption of their cases be modified to reflect the joint administration of the chapter 11 cases, as follows:

UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re:	:	Chapter 11 Case No.
	:	10-40395
Probe Resources US Ltd. ¹	:	
24 Waterway, Suite 1450	:	
The Woodlands, TX 77380	:	
Tax ID #: 26-xxx0456	:	
	:	
Debtor	:	

20. The Debtors also request that the Clerk of Court enter the following notation on the docket of each of the Debtors' cases to reflect the administration of the cases:

An order has been entered in this case directing the procedural consolidation and joint administration of the Chapter 11 cases of Probe ST 214 Ltd. (Case No. 10-40396), Probe High Island 115 Ltd. (Case No. 10-40397), and Probe Resources Energy Marketing US Ltd. (Case No. 10-40398), and the docket for Probe Resources US Ltd. should be consulted for all matters affecting these jointly administered cases.

Notice

21. Notice of this Motion has been given to: (a) the Office of the United States Trustee for the Southern District of Texas; (b) K-2 Principal Fund; (c) K2 Principal Fund, L.P.; (d) the initial Debtors; (e) Debtors' top twenty creditors as filed with the Petitions; and (f) all parties who request notices pursuant to Rule 2002 of the Federal Rules of Bankruptcy Procedure. In light of the nature of the relief requested, the Debtors submit that no further notice is required.

WHEREFORE, each of the Debtors respectfully requests that the Court enter an

¹ Probe Resources Energy Marketing US Ltd., Probe High Island 115 Ltd., and Probe ST 214 Ltd. have moved for their bankruptcy cases to be jointly administered with Probe Resources US Ltd.

order, substantially in the form submitted herewith, (a) authorizing the joint administration of the Probe Resources US Ltd. chapter 11 case with the chapter 11 cases of each of the other Debtors under the case number assigned to Probe Resources US Ltd. and (b) granting such other relief as the Court deems just and proper.

November 16, 2010.

/s/Douglas S. Draper

Douglas S. Draper (Fed Bar Id # 33078)

William H. Patrick, III (LA Bar No. 10359)

Leslie A. Collins (LA Bar No. 14891)

Heller, Draper, Hayden, Patrick & Horn, LLC

650 Poydras Street, Suite 2500

New Orleans, Louisiana 70130-6103

Telephone: (504) 299-3300

Facsimile: (504) 299-3399

E-mail: ddraper@hellerdraper.com

E-mail: wpatrick@hellerdraper.com

E-mail: lcollins@hellerdraper.com

*Attorneys for the Debtors and
Debtors-in-Possession*